ONTARIO

ONTARIO SECURITIES COMMISSION

REPORT OF COMMISSIONER D. S. BEATTY ON MATTERS RELATED TO THE FINANCING OF MINING EXPLORATION AND DEVELOPMENT COMPANIES

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In July, 1967, the Ontario Securities Commission appointed Mr. D.S. Beatty, to make a Study under the following terms of reference:

> "To review the Commission's Underwriting, Vendor Consideration, Escrow or Pooling Policies and other matters related to the financing of mining exploration and development companies."

The report is contained herein.

Toronto, September 23rd, 1968.

Under the Chairmanship of D.S. Beatty, the Committee had the advice and help of Messrs. G.E. Grundy, J.F. McFarland and J. Willis, as well as the assistance of Miss E.M. Browne as Consultant.

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The Committee was empowered to hold public hearings "in such Ontario centres as the Committee may determine" for the purpose of hearing submissions from all segments of the mining and investment community as well as the public, both commenting on existing O.S.C. policies and suggesting how these might be changed or improved "for the benefit of those engaged in the various aspects of the mining, exploration and development industry, as well as the public". A record of these hearings and of persons presenting briefs and letters is included as Appendix "A".

A questionnaire directing attention to some of the areas the Committee wished to study was prepared to guide those interested in making a submission. A copy is included as Appendix "B".

The large number of briefs submitted to the Committee and the range and volume of the discussions at the hearings make the publication of the material prohibitive. It is recommended that it be properly assembled and bound and be kept available for public reference in the library of the

Commission. (Briefs will be made available for research purposes.)

In addition to formal communication mentioned above further consultation took place between various members of the Committee and some of the interested associations and individuals. The Committee acknowledges its indebtedness to all those involved and to the Director of the Ontario Securities Commission and his staff for their contribution to the study, and for their continuing interest in this important field.

PART I

INTRODUCTION

1.01 The Committee's terms of reference focused on what is known in the investment community as junior mining financing. It is apparent that mining exploration and development are of great importance to the continuing prosperity of the Canadian people. The briefs received indicate the continued importance of junior mining companies and their promoters in the process of discovering new mines and arranging financing for them. The Committee accepted this basic premise that junior mining financing performs a very important function in Ontario and should be encouraged. Therefore the Committee considered alternatives to simplify and facilitate mining financing and at the same time improve the standards of selling methods and reduce the "wastage" between money invested by the public and actual exploration expenditures.

1.02 Several earlier inquiries have focused on junior mining financing and in particular the problem of "wastage" and the subject of primary financing through stock exchanges. The Porter Royal Commission on Banking and Finance recommended

the discontinuance of primary financing through stock exchanges on the basis that 86% of moneys expended on prospecting and development in the mining industry are provided by the large mining companies. The Attorney General's Committee on Securities Legislation in Ontario concurred in that recommendation with respect to primary distribution of mining shares through the Toronto Stock Exchange, although suggesting a suitable transition period for industry to adjust. The Porter Commission and the Kelly Commission on Windfall Oil and Mines Ltd. noted with concern the tremendous wastage between the amount of money paid by the public for speculative mining shares and the actual expenditures on exploration and development. The problem may be summarized as finding the best way of reducing the wastage of funds without jeopardizing the important role of junior mining financing. This focus requires that a distinction be made between mining shares which are presently listed for trading on a stock exchange and those which are unlisted.

103 This Committee was impressed with the fact

that the business practices of mining promoters are quite different from those in other industries. The mining promoter usually attempts to build up a "following" of speculators who will be willing to back him in his financing of a series of high risk ventures. Inevitably many of these ventures fail and the promoter feels obligated to his backers to keep a number of unsuccessful companies alive in the hopes of being able to arrange for them to participate in some future success. A number of large mining companies have evolved either in whole or in part from this philosophy. Furthermore, mining exploration and development is a part of a frontier economy and as such it does not conform easily to the standards which more mature economies are able to impose. The leaders in this field are rugged individuals. They are justifiably proud of their contribution to the Canadian economy. Primary distribution of speculative mining issues through the exchange is one of their more important sources of financing.

1.04 Among the public at large the risks involved in speculating in junior mining stocks

should be widely known. Yet many people seem unaware of the risk. It is these people, ignorant of or oblivious to the heavy odds against profiting from their purchases, who are most frequently victimized by aggressive distribution of mining stocks over the counter.

1.05 While the statistics available are at best estimates it is apparent that the largest part of the funds available for junior mining financing are raised through the facilities of the stock exchanges and that the "wastage" is much lower when the stock is listed and the stock exchanges are responsible. Recent policies developed by the Toronto Stock Exchange to raise listing standards and sanctions are encouraging in this regard. Recognition of suspicious trading patterns and practices contrary to the public interest is much easier when securities are listed. Governing bodies are better able to regulate listed transactions than unlisted. The penalty of delisting itself is a deterrent.

1.06 A number of proposals to the Committee advocated the creation of a special section of the T.S.E. or a separate stock exchange to facilitate

primary distribution and trading of mining issues which do not qualify for listing under existing rules. The Committee has been unable to determine the economics of such a change due to the absence of relevant statistics. The uncertainty and controversy involved indicate that further study and consultation should be undertaken before such a general recommendation is made. Furthermore, these proposals run counter to current reforms within the T.S.E. designed to raise standards of trading in presently listed stocks. The Committee welcomes these reforms. Notwithstanding the understandable reluctance of the T.S.E. to undertake regulation of over the counter issues, the object of all those concerned with the continuance of junior mining financing should be to find a method of regulating and upgrading trading in them.

RECOMMENDATIONS

1.07 The Committee recommends that primary distribution of junior mining issues through the T.S.E. be continued with such additional safeguards as can be developed to make speculators more aware

of the risks involved, and to reduce the wastage described above.

1.08 It is also proposed that a centralized agency be created to collect statistics on both unlisted mining and industrial stocks. These statistics would include market prices, record of transactions and volume and would improve the sources of information available to the public and to regulatory bodies governing the conduct of business on the over-the-counter market.

The Committee is continuing discussion with those engaged in over the Counter Trading and other interested associations and individuals with a view of developing such an agency. It recommends that the O.S.C. continue these discussions and negotiations as a matter of high priority with a view to establishing an agency which will not only collect information and statistics, but also exercise surveillance of business conduct and ethical standards of dealing in the over-the-counter market.

PART II

UNDERWRITING

2.01 Prospectors, developers and promoters are concerned at the difficulty they experience in enlisting the services of reputable underwriters in raising money to help them finance early exploration projects. The complexity and expense of raising even small sums of money from the public (e.g. less than $100,000) makes them heavily dependent on the underwriters. Given this dependency there has been a growing tendency by underwriters to assume the role of promoters as well as vendors, reducing the position of the man in the field to that of prospector only.

2.02 The study produced several specific findings with respect to the prospectus and other selling documents:

(a) where the issue is small the cost of filing a prospectus under O.S.C. requirements is considered excessively high due to engineer, audit and legal fees.

(b) sales documents other than the prospectus are frequently misleading.

2.02a The Committee noted strong disagreement with the recent directive of the O.S.C. prohibiting a geologist or engineer from writing a professional report either for Statement of Material Fact or listing purposes on a company with which he is associated. On the other hand, developments in most fields of business enterprise and in public and private law are increasing the reliance placed on experts and eliminating potential conflicts which might jeopardize the independence of the expert. These developments suggest that the junior mining industry must establish a strong special case to remain immune. The Committee is prepared to recognize that such a case may exist in very small financings (e.g. under $100,000) where the danger of excessive cost is perhaps greater than conflicts jeopardizing the expert's independence. However, beyond this special situation a sufficiently persuasive rebutting argument does not emerge.

2.02b The prevailing attitude toward junior mining issues among the public at large is that they involve a very high gambling element and that

any gain accruing to the investor will in most cases come from a short term increase in the price of the stock due to market activity rather than long term yield from dividends of a profit making company or long term gain reflecting the increased value of assets represented by the company's stock. This attitude is in part the product of and in part responsible for a complex and expensive intermediate promotion network which receives a substantial percentage of the money raised from the public, for selling activities only. So long as this attutude prevails among the public and so long as very substantial percentages of the money raised from the public are routed into promotional activity and not the company treasury for exploration and development, much capital otherwise available for mining development from Canadian investors will not be attracted into the industry.

2.03 Another of the major contributing factors to the "wastage" between the amount paid by the public for shares and the amount expended on exploration is the size of price spread (up to 200%) now permitted by B.D.A. policy and approved by the

O.S.C. It appears to the Committee that while regulations requiring a high percentage of money raised from the public to go to the company treasury would have the immediate effect of decreasing the size and scope of selling activities and perhaps of reducing the amount of short term speculative capital now being attracted to the industry, the ultimate effect would be to increase absolutely the amount of investment capital coming into the industry and to increase more than proportionately the amount of money actually expended on pure exploration and development in Canada.

2.04 The extent to which options are used in mining financing has had many undesirable effects. Options do provide machinery for additional fund raising together with incentive to the underwriter, but they also increase the odds against profit for the public subscriber and facilitate abuses of the market.

2.05 The O.S.C. constantly receives complaints about the practice of vendors creating a false impression of a rising "market" for mining shares in primary distribution where in fact there is no

market. One of the principal opportunities for this practice can be traced to current O.S.C. policy which permits an increase in the overall offering price when options are exercised at prices above the original underwriting price, even though the stock originally firmly underwritten is not entirely distributed. The result is an overall increase in the price spread which the potential buyer fails to realize has not occurred through normal market activity.

2.06 The suddenness of change in market conditions is such that timing is extremely important in raising treasury money for speculative mining companies. The length of time between the decision to raise money from the public and the approval of a prospectus by the O.S.C. should therefore be the minimum possible consistent with the general objective of protecting the investor. Furthermore, it should be possible for established mining exploration and development companies to react immediately to a market favourable to mining issues and raise money for general purposes on the strength of a continuously updated prospectus.

RECOMMENDATIONS

2.07 The Committee recommends that for a new company financing an undeveloped and raw prospect a short form prospectus be adopted in a form to be prescribed by the O.S.C. where the amount to be raised from the public does not exceed $100,000. Neither engineer's report nor audited statements would be required. The document would clearly state the speculative nature of the investment and would contain a description of the exploration work planned and an estimate of its total cost including written estimates of the cost of work from geophysical, diamond drill or other work contractors. Where additional work is recommended, where there has been a previous filing within a twelve month period and another appeal for funds is made, or where the amount of an issue exceeds $100,000 the present complete prospectus would be required. This recommendation is not intended to inhibit the raising of larger sums of money for exploration purpose.

2.08 A listed company with a good record of active exploration and prompt disclosure, reasonable administration expenses and a current exploration program with sufficient moneys to carry out that

program should be given the privilege of using what has been termed an "evergreen" prospectus. Such a prospectus (or statement of material fact) would outline the company's current program and financial position and would be valid for one year. During this period the company might or might not, depending on the state of the market and its own requirem ents, offer up to a maximum number of shares into the market. The prospectus would clearly indicate the company has this option. The maximum number of shares to be sold could be related to a dollar amount and/or to a percentage of the company's outstanding capital. It is recommended that the O.S.C. in consultation with the T.S.E. develop a policy governing the manner in which shares could be sold into the market and that the prospectus should so state. The policy should also cover the reporting of shares sold and current information, and of course would reserve the right to withdraw the privilege under certain conditions. Cognizance should be taken of the fact that disclosure of the location of an area to be explored could be detrimental to a company's interest.

2.09 The privilege of an "evergreen" prospectus could also be extended to unlisted companies where a truly active and independent market exists under adequate surveillance. This recommendation would be contingent, however, on the unlisted market being supervised by a responsible regulatory organization reporting on a regular basis to its members the O.S.C. and other governing bodies concerned.

2.10 The Committee endorses the O.S.C. policy prohibiting engineers and/or geologists associated with a company from writing a report for that company. However, the Committee recommends that an exemption be permitted in the prospectus of an exploration company with a recognized technical board of directors or where the amount to be raised does not exceed $100,000. Under the recommendation in 2.07 above such a prospectus does not require an engineer's report and equally, if it should contain an engineer's report, there should be no requirement that he be independent of the company.

2.11 In the matter of options the Committee recommends that there be no maximum underwriting,

that the number of shares optioned not exceed the number of firmly underwritten shares or 500,000 shares whichever is the lesser, and that the period of the option be no longer than one year or the life of the prospectus whichever is the shorter. Furthermore, machinery should be set up to facilitate approval of further options when warranted by market conditions and property development, and where the treasury position of the company is considered adequate.

2.12 The initial price spread should be reduced to a maximum of 100%. This maximum should be constantly reviewed by the O.S.C. with a view to further reduction if justified. No increase whatsoever in the initial offering price should be permitted until the O.S.C. is satisfied that reasonable independent market bids exist for the issue. After the first increase the maximum price spread should be 50%. After the second increase the maximum price spread should be 25%. The O.S.C. should scrutinize very closely the amount expended on office administrative and other non-mining expenses on a continuing basis. These rules should apply both to underwritten and "best efforts"

offerings.

2.13 Terms of "best efforts" offerings should require that 100% of the proceeds be held in trust for the subscribers until the required amount has been raised. At that time a minimum of 60% of the proceeds will be paid to the company's treasury and a maximum of 25% will go to selling commissions. If the minimum required amount is not raised the whole amount realized must be returned to the subscribers unless otherwise ordered by the O.S.C.

2.14 The prospectus should be the only selling document for use in distribution of speculative mining issues. It is proposed, therefore, that the prospectus contain two parts - one part containing the material required by the Securities Act, 1966 and the Regulations, and in the form therein prescribed, and one part containing a short, simplified narrative summary of the principal items of information contained in the main part, in language more readily comprehensible to the ordinary investor. No other promotional literature should be used without O.S.C. approval. The prospectus should outline the principal occupation and business

experience of the directors, particularly in relation to mining.

2.16 High pressure selling methods and overloading of unsophisticated members of the public with speculative stock should be rigorously policed. Registrants should be held responsible for this type of activity by salesmen in their employ along with the salesmen themselves. The employment record of salesmen who are the subject of complaints of high pressure selling and overloading should be reviewed. Frequent changes of employment should be considered in judging fitness for continuation of registration. The B.D.A. should be urged to draft rules governing the fair treatment of the public which rules should be enforced by the B.D.A. under the supervision of the O.S.C. The O.S.C. should examine the disciplinary procedures of the B.D.A. with a view to ensuring that existing bylaws are more rigorously enforced. A review should also be made of minimum capital and insurance requirements of B.D.A. members.

PART III

VENDOR CONSIDERATION

3.01 All segments of the industry have come to regard a vendor's consideration of 750,000 shares, 90% escrowed, as a fair and acceptable vendor's consideration.

3.02 The prospectors, developers, promoters and others point out that:

(a) a vendor's consideration is the main chance for compensation for many years of effort and hardship should discovery of a mine result;

(b) ownership of large vendor's blocks provides incentive to persist in trying to build value into a company where an initial venture has proven unsuccessful;

(c) they are prepared to be "locked in" indefinitely with a vendor's block;

(d) the diminishing number of younger men available to carry on this work

demonstrates that the present incentives are insufficient to ensure continuation of the scale of effort necessary for the healthy discovery rate accomplished in the past.

3.03 Several briefs received by the Committee view the 750,000 share vendor consideration as too large because:

(a) the dilution of the interest of the public shareholder who has put up the money for the treasury is unfair when the property for which vendor's shares were issued fails to produce results;

(b) underwriters who normally would raise risk money for prospectors requiring financing find it more profitable to hire stakers or stake for themselves in order to realize for themselves any benefit which would otherwise accrue to the prospector. This practice gives rise to questions as

to the motives of the underwriter and to the merits of properties acquired by him in such operations. There is also some concern that such financing is contrary to the interests of the investing public, the mining industry and the development of natural resources;

(c) in the past, blocks of vendor's shares have been used to control treasuries of mining companies for various purposes, quite often contrary to the interests of minority shareholders. On the other hand, well motivated prospectors, developers and promoters have a genuine concern that they could well lose control of promising companies in the market place without the large block of votes represented by vendor's shares.

RECOMMENDATIONS

3.04 The Committee recommends that the initial vendor share consideration for properties should be a

maximum of 75,000 shares, all of which would be free from escrow. Where additional vendor's consideration is required, this woild take the form of a different class of shares up to a maximum of 675,000 shares. The provisions attaching to this special class of shares would have to conform to the provisions of the laws of the jurisdiction under which the company operates.

They would be entitled to one vote per share. They would, however, provide for the elimination of the class under certain conditions and would limit their transferability voting rights and participation in the proceeds of a liquidation or winding up of the company. Preliminary examination of the applicable legislation indicates that the creation of such a class of shares is feasible, and that it could be designed to meet the legitimate requirements of the vendor of a property with less detrimental results than those embodied in issuing escrowed common shares.

ESCROW OR POOLING POLICIES

4.01 The Committee found general acceptance

of the current O.S.C. policies governing escrow of shares, release from escrow and transfers within escrow. The new policy governing transfer within escrow received favourable comment. It is hoped that the current practice of releasing escrowed shares to be donated for purposes demonstrated to be beneficial to the company will continue to reduce the total held in escrow and that the special class of shares proposed above will eventually replace them. Pooling agreements in connection with financing arrangements will no doubt continue to be required in some instances, as will escrowing of control blocks, but such agreements will be for specified periods of time and will not be a problem.

PART IV

SUGGESTED AMENDMENT TO THE MINING ACT

5.01 Much valuable money is spent in duplicatine exploration of mining properties because a record of previous exploration on the same property is not available. The Committee recommends that the Minister of Mines give consideration to amending the Mining Act to make it compulsory to file such information in a central place so that the records and results of any previous exploration may be made available after a period of five years. Where written consent is given by the owner or where the property is forfeited or escheated to the Crown, the results should be available immediately. The amendment could be worded as follows:

> The recorded holder of an unpatented or unleased mining claim or the owner, lessee or operator of a mining property shall report to the Minister of Mines, the results of all geophysical, geological or other work done upon the property within six months of the completion of such work and shall furnish the results of any and all assaying or sampling and such information shall remain confidential and shall not be made available to the public for a period of five years from the date it is so filed, except:
>
> (a) where the consent of the recorded holder, owner,

lessee or mining operator is filed.

OR

(b) where the property is forfeited or escheated to the Crown.

This amendment would cover another very important area of wastage in mining finance.

6.01 The Committee recommends that this report be widely circulated so that the O.S.C. may have the benefit of assessing the reaction of interested associations and individuals to assist in implementing the various recommendations outlined above.

APPENDIX "A"

Briefs were received from the following list of associations and individuals:

TORONTO

Representatives of Mining Bar -

Messrs. J.P. Manley, Q.C., B.N. Apple, Q.C., W.C. Campbell, R.Y.W. Campbell and A. Camisso.

Broker Dealers' Association of Ontario

Mr. H.J. Cleland

Mr. J.L. Goad (Broker)

Mr. D.J. Happy (Prospector)

Mr. A.D. Hellens, M.C., B.Sc., P.E.

Moreau, Woodward & Co.
(Geophysicists) (Mr. Scott)

North Western Ontario Prospectors' Association

Pascar Oils (Mr. C.D. Robbins)

Prospectors & Developers Association and Porcupine Branch

Resolute Petroleums

Toronto Stock Exchange

Mr. Norman Vincent

KIRKLAND LAKE

Mr. D.W. Easson, P.E. ... letter brief

PORT ARTHUR

Mr. Neil Edmonstone (Steep Rock Iron Mines)

Dr. Keenan (D.D.S.)

Mr. S.W. Lukinuk (Solicitor)

Dr. R.V. Oja (P.E.)

SAULT STE. MARIE

Mr. W.D. Sutherland, P.E.

Mr. J.P. Sheridan (Geophysicist) P.E.

TIMMINS

Mr. R.J. Bradshaw (Geol.)

Mr. R.E. Allerston (Prospector) ... letter

Mr. W.H. Turney (Prospector) ... letter

VANCOUVER, B.C.

Mr. P.M. Reynolds (Bethlehem Copper)..letter

Mr. P.E. Hogan (Solicitor) ... letter

Mr. J. Bruk ... letter

WINNIPEG, MANITOBA

Mr. S.R. Spence, P.E. ... letter

SUGGESTION LETTERS

Mr. D.H. Baird (M.E.)

Mr. J.B. Barber (Algoma Steel)

Mr. Robert Campbell (Prospector)

Mr. J.C. Dumbrille, P.E.

Mr. J.M. Gemmell (Solicitor)

Dr. Franc Joubin & Associates, P.E.

Mr. George K. Monteith, P.E.

Mr. J.H. Morlock (Solicitor)

Mr. M.A. Moysey (Broker)

Mr. E.H. Pooler (Broker)

Mr. W.A. Richardson (Prospector)

Mr. Fenton Scott, P.E.

PUBLIC HEARINGS WERE HELD AS FOLLOWS

Port Arthur - August 9, 1967

Sault Ste. Marie - August 11, 1967

Timmins - November 14 and 15, 1967

Toronto

November 29, 1967 - Prospectors and Developers

November 30, 1967 - (AM) Mining Bar

November 30, 1967 - (PM) Engineers and Geologists

December 1, 1967 - Broker Dealers' Association

January 24, 1968, February 9, 1968, February 26, 1968 - public

March 12, 1968 - Toronto Stock Exchange

March 21, 1968 - Broker Dealers' Association

March 29, 1968 - Professional Engineers' Association

April 9, 1968 - Prospectors and Developers Association

April 29, 1968 - Mining Bar

APPENDIX "B"

Committee to Review the Commission's Underwriting Vendor Consideration, Escrow or Pooling Policies and other Matters related to the Financing of Unlisted Mining Exploration and Development Companies

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The Committee under the chairmanship of Commissioner D.S. Beatty, has been formed for the above purposes. The Committee solicits and welcomes submissions from all segments of the mining and investment community as well as the public both as to criticisms of existing policies and constructive suggestions as to how these might be changed or improved for the benefit of those engaged in the various facets of the mining exploration and development industry as well as the public. While submissions are invited in person at the public hearings which are to be conducted, we also invite your comments in writing. Since these policies relate largely to underwriting, vendor consideration and escrowing, listed below are some of the areas to which comment might be directed.

1) What yardsticks should be used to determine vendor consideration paid in shares? Should the vendor consideration

consist of shares valued at the price the treasury would receive through their public sale; at the same price the public is being asked to pay for the same shares; or is there no relationship between the two?

2) Should there be a smaller number of vendor shares, none of which would be escrowed?

3) Should share purchase options, exercisable subject to Commission control, be substituted for escrow shares?

4) Does the prospector play a significant role in finding new properties today?

5) Should there be special rules for bona fide prospector-vendor? If so, what should ,they be?

6) What tests should be applied to determine if a person is a prospector?

7) Should a company be restricted as to the number of properties it may acquire? Should a new company ever purchase claims outright or should they always be acquired on an option basis, whether for cash or shares?

8) What other facts ought to be considered in determining the number of vendor shares?

9) Is the Commission's present policy regarding escrowing and release from escrow a reasonable one, and, if not, how can it be improved?

10) Should everyone share equally in proportion to his holdings when shares are released from escrow or are there any classes which should be given preference, e.g., the bona fide prospector?

11) Is the practice of issuing shares to promoters, vendors and other insiders in return for property preferable to paying entirely in cash from

the proceeds of the sale of shares to the public? Should different criteria for the valuation of property be used where the property transaction is not completely at arm's length?

12) Where the acquisition is not completely at arm's length, should the vendor be required to demonstrate his actual cost of acquisition of the property in terms of time and money?

13) Since the value of the property should be reflected in the price per share of the stock, is there any justification for an increased number of vendor shares merely because the vendor has incurred some expenditure on exploration and development, irrespective of the results?

14) Should shares of a company whose main property is being brought into production ever be issued as consideration for unproved additional property? Does it make any difference in the case of an arm's length transaction?

15) Should the person engaged directly or indirectly in selling a company's shares to the public ever be permitted to be a vendor of property, or does this practice lead to abuses?

16) Is the Commission's present underwriting-option policy a realistic and fair one and, if not, how should it be changed?

17) Should restrictions on vendor consideration escrowing and offering prices be imposed on the so-called speculative mining company with a view to forcing financing towards the exploration and development company?

18) Should the Commission govern the price spread or difference between the price a company is paid for its shares and the price at which the same shares are offered to the public?

19) When the original prospect as described in the prospectus is abandoned,

is it unnecessarily restrictive to require an exploration company to file an amended prospectus before the proceeds of a primary distribution are used on another prospect?

20) Should it be a requirement that the management of exploration, development and mining companies be in the hands of competent, experienced mining people?

21) Should it be a requirement that any individual actively and personally interested in the sale of a company's shares to the public, as an underwriter, salesman or dealer should not be an officer of the company or participate actively in its daily affairs?

22) Where an individual is the vendor, underwriter, dealer, and an executive, is there not a very real danger that the interests of the public shareholder may be lost sight of or forgotten?

23) Do you feel that a favourable climate should be developed to encourage the mergers of small mining companies, and if so, what suggestions do you have toward the development of such a climate?

24) Have you any suggestions on how the secondary market in unlisted mining securities may be improved? Comments would be welcomed on the following:

a) selling methods,

b) market facilities,

c) maintenance of markets,

d) availability of quotations,

e) would a "junior exchange" for trading mining securities be helpful,

f) any other aspects.

25) Should it be a requirement that all trenching, sampling, and diamond drilling results and assays be reported within a reasonable period of time to the mining recorders and be kept available for examination?

We would appreciate the benefit of your comments on these questions and other matters related to our policies.

Please forward your inquiries and notifications of your intention to present a submission to our local agent (the name of whom will be given in the notice of hearing to be published in the local newspaper) or to the Commission offices at 123 Edward Street, Toronto, Ontario.

D.S. Beatty,
Chairman.